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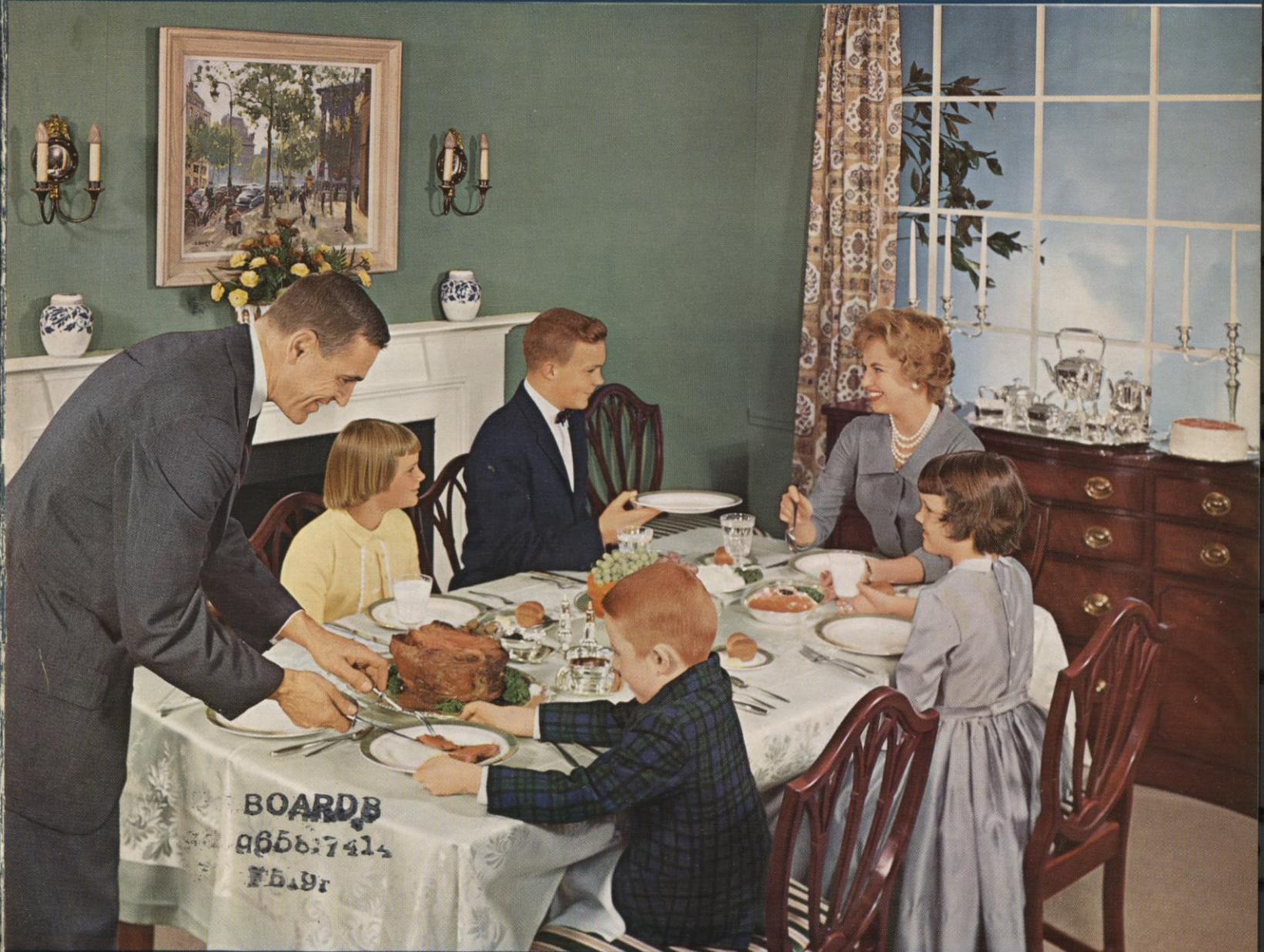
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CORPORATION FILE

## FIRST NATIONAL STORES

# *Annual Report*

FOR THE YEAR ENDING MARCH 28, 1959



## FIRST NATIONAL STORES INC.

### OFFICERS

ADRIAN O'KEEFFE, *President*

RALPH F. BURKARD, *Treasurer*

BYRON M. FLEMMING, *Vice-President*

JOHN L. MACNEIL, *Vice-President*

EDMUND J. MURPHY, *Vice-President*

REUBEN KAPLAN, *Assistant Treasurer*

WILLIAM A. RYAN, *Secretary and Clerk*

### DIRECTORS

RALPH F. BURKARD

BYRON M. FLEMMING

JOHN L. MACNEIL

EDMUND J. MURPHY

JAMES J. O'HARE

ADRIAN O'KEEFFE

BERNARD M. O'KEEFFE

STEWART C. WOODWORTH

### EXECUTIVE COMMITTEE

RALPH F. BURKARD

JOHN L. MACNEIL

ADRIAN O'KEEFFE



Picturesque Gloucester, famous fishing port and favorite of tourists, is the location for this store — one of the newest and most modern First National supermarkets. Busy Gloucester, a key factor in the fishing industry, has given its new supermarket a hearty welcome.

TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.:

Somerville, Massachusetts, June 1, 1959

Sales for the year ending March 28, 1959 totaled \$531,521,108, a new high, and exceeded the prior year's sales by \$10,026,115.

Earnings of \$8,649,288, equal to \$5.28 a share, were the second highest in the history of the Company and compare with earnings of \$5.37 a share in the previous year.

Dividends, as in the preceding year, amounted to \$2.50 per share and consisted of four quarterly payments of 50¢ a share and a year-end special dividend of 50¢.

The following is a brief summary of our operations:

	<i>For the Fiscal Year Ending</i>	<i>March 28, 1959</i>	<i>March 29, 1958</i>
Retail store sales . . . . .	\$531,521,108	\$521,494,993	
Net earnings after taxes . . . . .	\$ 8,649,288	\$ 8,799,277	
Per share of common stock			
After taxes and before Lifo adjustment . . . . .	\$5.21	\$5.40	
Lifo inventory adjustment . . . . .	+.07	-.03	
Total . . . . .	<u>\$5.28</u>	<u>\$5.37</u>	
Net working capital (current assets less current liabilities) . . .	\$ 18,407,210	\$ 17,526,003	
Fixed or property assets (less depreciation) . . . . .	55,410,552	52,578,634	
Stockholders' equity (net worth) . . . . .	77,146,846	72,590,403	

On the center pages of this report are charts showing the results of our operations for the past thirty-three years. The chart on earnings per share gives effect, for all years, to the 2 for 1 stock split in 1951.

Bishop's Corner in West Hartford is a distinguished shopping center. Here, during the past year, First National provided the last word in food shopping convenience with this modern supermarket, now a shopper's favorite in fashionable West Hartford.



The financial condition of the Company continues strong. There were no loans outstanding at the end of the fiscal year. Net expenditures for fixed assets during the year were \$11,635,532. Working capital was \$18,407,210 as compared with \$17,526,003 at the end of the prior year. Stockholders' equity was \$77,146,846, an increase of \$4,556,443 over the preceding year.

During the year thirty-three supermarkets were opened and twenty-five were remodeled or enlarged. Sixty-eight stores were closed, among them twenty-eight inadequate supermarkets, leaving five hundred and forty-three stores in operation at the end of the fiscal year. Of the current group of stores, three hundred and forty-six are supermarkets and they account for approximately 92% of our sales.

In September, 1958, the Company purchased real estate in Somerville, Massachusetts, formerly occupied by Ford Motor Company as an assembly plant. The Company has been confronted with the necessity of constructing a one-story plant for grocery distribution in the Somerville Division. The availability of this excellent property, ideal for our purposes, enabled us to fill the need at substantially less than the cost of a new building. This single-story building with more than ten acres of space under one roof is adjacent to our Somerville plant. It will be used as a grocery distribution base, resulting in greatly increased operating efficiency. In addition, it will permit us to combine in our present plant the shipping of produce and certain other perishable items and this will effect a substantial reduction in transportation costs of these items. The acquired property includes substantial additional acreage for the development of further facilities, if needed in the future.

Courteous and efficient service to customers is a fundamental requirement of the business of food retailing. Accordingly, we have increased our emphasis on training and development programs for the entire staff. Every phase of the personnel program is directed at increasing the ability of our people in plants and stores to perform their duties more effectively.

Our employee benefits are a valuable incentive to good performance. During the fiscal year improvements were made in the group health, accident and hospitalization insurance program. With these changes in insurance, our employees, at no cost to themselves, enjoy the benefits of a pension plan and a comprehensive insurance program that compare favorably with any in our industry.

Food prices declined during the latter part of the fiscal year until in March, 1959, according to the Massachusetts Retail Price Index, they were more than four per-cent below those of a year earlier. Indications are that food prices during the next few months will continue somewhat below those of the prior year. Economic conditions in our operating territory are expected to improve. In our store development program, upwards of thirty new supermarkets are planned for opening during the current fiscal year. Remodelings and enlargements of existing stores are also planned.

Our Company is the leading retailer of foods in the major part of its operating territory. We are confident of the ability of our loyal and able organization to maintain this position of leadership.

**ADRIAN O'KEEFFE,**  
*President*

#### **ANNUAL MEETING—PROXIES**

A notice of the annual meeting of stockholders, proxy statement and proxy accompany this report. Stockholders **ARE REQUESTED TO SIGN THE MANAGEMENT'S AUTHORIZED PROXY AND MAIL PROMPTLY IN THE ENVELOPE PROVIDED.** Your immediate attention to this important matter will be greatly appreciated and will save your Company considerable time and expense.

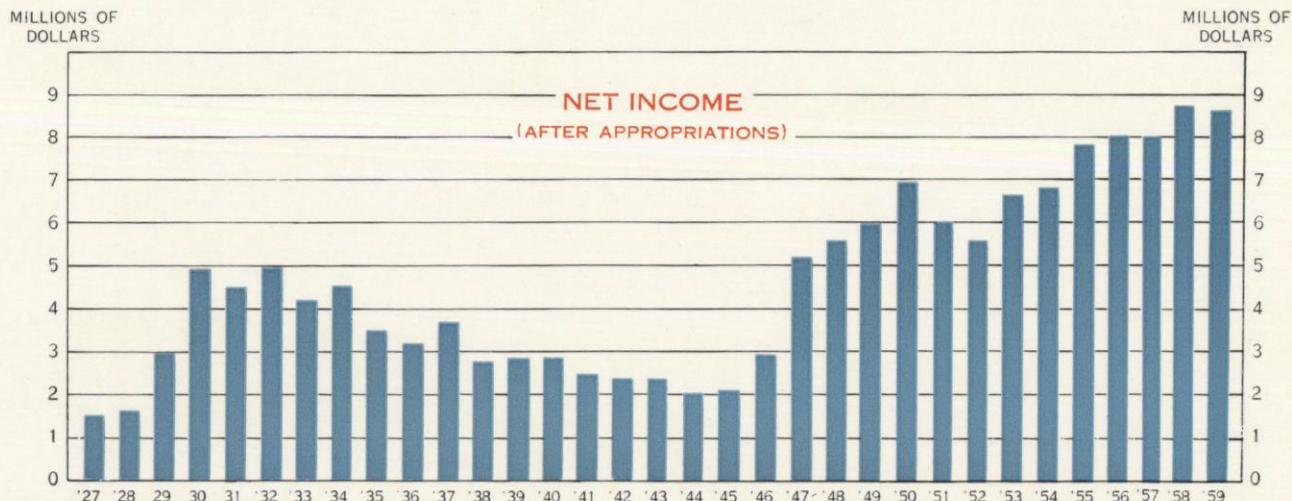


Dover is an enterprising manufacturing town pleasantly located in the rolling foothills of Southern New Hampshire. A business center, serving the surrounding countryside, it is the location of a new First National supermarket.

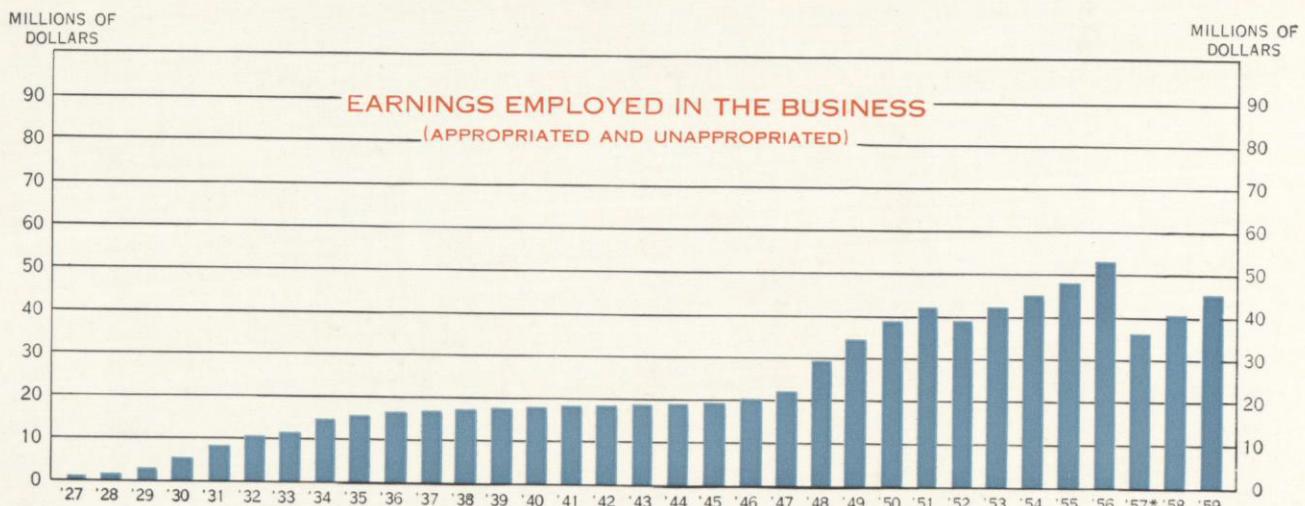


This First National supermarket — modern as tomorrow — recently opened in Burlington, Vt. The state's largest and northernmost city, delightfully situated on the shores of Lake Champlain, Burlington is also the seat of the State University.





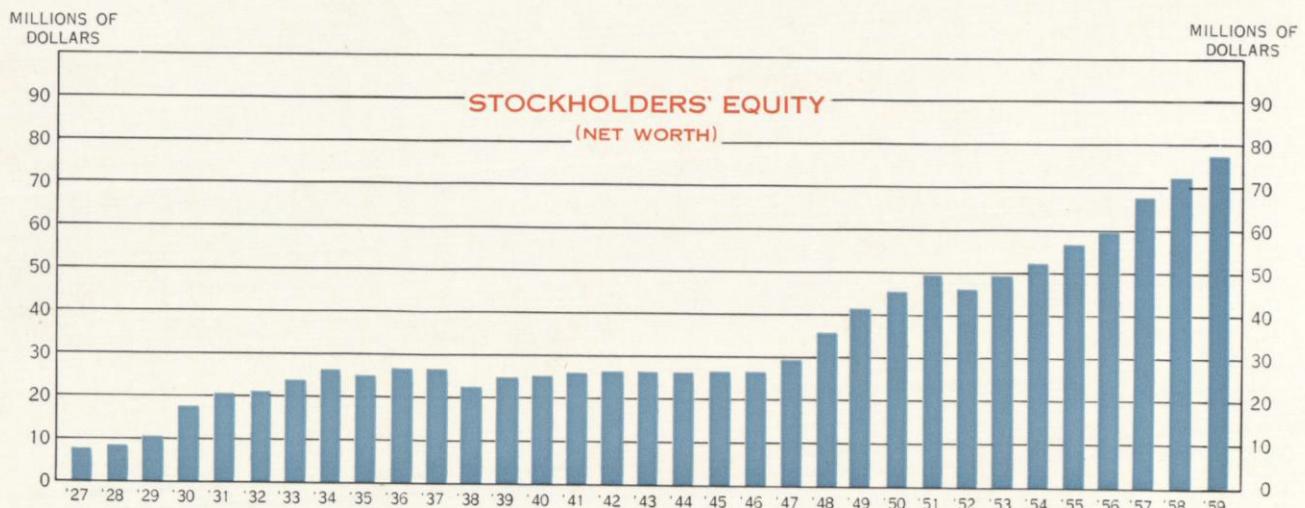
Cape Cod has a new First National supermarket, impressive as a lighthouse against the low-lying Cape background at Wellfleet. Year-round residents, and vacationers who flock to this area by the thousands each summer, are enthusiastic customers of this completely modern store.



#### *Earnings Employed in the Business — Fiscal Years*

1927	\$1,996,375	1932	\$10,816,321	1937	\$16,670,118	1942	\$18,889,476	1948	\$29,189,624	1954	\$44,954,164
1928	2,238,303	1933	12,666,672	1938	16,688,036	1943	19,308,135	1949	34,350,171	1955	48,993,652
1929	3,987,782	1934	14,213,494	1939	17,423,131	1944	19,496,819	1950	38,483,159	1956	53,135,847
1930	6,369,726	1935	15,121,448	1940	18,112,565	1945	19,745,003	1951	41,752,697	1957	36,463,268*
1931	8,371,910	1936	16,062,827	1941	18,572,964	1946	20,334,138	1952	39,604,479	1958	41,169,700

\*Transferred \$25,000,000 to Common Stock Account.



#### *Stockholders' Equity — Fiscal Years*

1927	\$8,723,782	1932	\$22,793,743	1937	\$26,369,140	1942	\$25,625,755	1948	\$35,925,903	1954	\$51,690,443
1928	8,965,710	1933	24,644,049	1938	23,746,089	1943	26,044,414	1949	41,086,450	1955	55,729,931
1929	11,724,410	1934	26,190,916	1939	24,216,168	1944	26,233,098	1950	45,219,438	1956	59,872,126
1930	18,347,148	1935	24,820,470	1940	24,874,883	1945	26,481,282	1951	48,488,976	1957	67,883,971
1931	20,349,333	1936	25,761,849	1941	25,293,286	1946	27,070,417	1952	46,340,758	1958	72,590,403

This is the popular, new First National supermarket erected during 1958 at Northampton, Mass., in the heart of the beautiful Connecticut Valley. A lively city, shopping mecca for the countryside, Northampton is also the home of Smith College.



# FIRST NATIONAL STORES INC.

# BALANCE SHEET

## ASSETS

	MARCH 28 1959	MARCH 29 1958
<b>CURRENT ASSETS:</b>		
Cash . . . . .	\$ 11,066,572	\$ 14,140,195
Accounts receivable . . . . .	1,486,780	1,398,252
Inventories, on last-in, first-out cost basis, which is below market . . . . .	31,111,695	30,189,189
Total current assets . . . . .	<u>\$ 43,665,047</u>	<u>\$ 45,727,636</u>
 <b>FIXED ASSETS</b> , at cost (excluding fully-depreciated assets):		
Land . . . . .	\$ 7,249,107	\$ 7,327,485
Buildings owned . . . . .	33,024,961	31,861,931
Store fixtures, leased property improvements, machinery and equipment . . . . .	55,750,275	49,481,774
Automotive equipment . . . . .	3,321,217	3,234,801
<i>Less — Depreciation</i> . . . . .	<u>\$ 99,345,560</u>	<u>\$ 91,905,991</u>
	43,935,008	39,327,357
	<u>\$ 55,410,552</u>	<u>\$ 52,578,634</u>
 <b>OTHER ASSETS AND DEFERRED CHARGES:</b>		
Investment in wholly-owned subsidiary companies — at cost (represented by underlying net assets of \$903,340 in 1959, \$978,736 in 1958) . . . . .	\$ 83,500	\$ 83,500
Prepaid insurance and other deferred expenses . . . . .	2,964,172	2,648,612
Miscellaneous . . . . .	281,412	171,290
	<u>\$ 3,329,084</u>	<u>\$ 2,903,402</u>
	<u>\$102,404,683</u>	<u>\$101,209,672</u>



Lonsdale, R. I., is a community of diversified business and comfortable homes serving a wide shopping area. First National established a large up-to-the-minute supermarket in this thriving community during 1958.

# FIRST NATIONAL STORES INC.

# BALANCE SHEET

## LIABILITIES

	MARCH 28 1959	MARCH 29 1958
<b>CURRENT LIABILITIES:</b>		
Accounts payable . . . . .	\$ 13,214,267	\$ 15,753,467
Owing to subsidiary companies . . . . .	101,558	122,995
Accrued local and state taxes and other expenses . . . . .	6,196,870	4,937,980
Federal income taxes . . . . .	5,745,142	7,387,191
Total current liabilities . . . . .	<u>\$ 25,257,837</u>	<u>\$ 28,201,633</u>
<b>RESERVES:</b>		
For past service costs under retirement annuity plan (funded in 1959) . . . . .	\$ 282,594	
Miscellaneous operating reserves (balance at March 28, 1959 classified under current liabilities) . . . . .	<u>135,042</u>	
	<u>\$ 417,636</u>	
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock:		
Authorized — 2,000,000 shares without par value		
Issued — 1,655,268 shares . . . . .	\$ 31,977,422	\$ 31,977,422
Earnings employed in the business, other than amounts transferred to common stock account . . . . .	45,726,143	41,169,700
	<u>\$ 77,703,565</u>	<u>\$ 73,147,122</u>
Less — Common stock held in treasury — 18,114 shares, at cost . . . . .	556,719	556,719
Total stockholders' equity . . . . .	<u>\$ 77,146,846</u>	<u>\$ 72,590,403</u>
	<u>\$102,404,683</u>	<u>\$101,209,672</u>

## ACCOUNTANTS' OPINION

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF FIRST NATIONAL STORES INC.

In our opinion, the accompanying balance sheet and statements of earnings and earnings employed in the business present fairly the financial position of First National Stores Inc. at March 28, 1959 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Boston, Massachusetts  
May 15, 1959

PRICE WATERHOUSE & CO.

First National's handsome, modern supermarket in suburban Scarsdale, N. Y., is prominently situated in the community's new major shopping center. It offers the utmost in shopping ease and pleasure for the customer.



# FIRST NATIONAL STORES INC.

## STATEMENT OF EARNINGS

	YEAR ENDED	
	MARCH 28, 1959	MARCH 29, 1958
Income:		
Retail store sales . . . . .	\$531,521,108	\$521,494,993
Dividends received from wholly-owned subsidiary companies (net earnings for the year — \$134,604 in 1959, \$124,969 in 1958) . . . . .	210,000	79,000
Other income . . . . .	8,574	5,601
	<u>\$531,739,682</u>	<u>\$521,579,594</u>
Costs and expenses:		
Cost of sales, expenses, etc., exclusive of depreciation . . . . .	\$505,009,517	\$494,225,975
Provision for depreciation of fixed assets (Note 1) . . . . .	8,911,534	8,174,892
Interest expense . . . . .	287,262	125,180
Net loss (gain) on disposal of fixed assets . . . . .	(107,919)	349,479
Loss from liquidation of subsidiary company. . . . .		24,791
Provision for federal income taxes . . . . .	8,990,000	9,880,000
	<u>\$523,090,394</u>	<u>\$512,780,317</u>
Net earnings . . . . .	<u>\$ 8,649,288</u>	<u>\$ 8,799,277</u>

## STATEMENT OF EARNINGS EMPLOYED IN THE BUSINESS

	YEAR ENDED MARCH 28, 1959
Balance, March 29, 1958 . . . . .	\$ 41,169,700
Net earnings . . . . .	8,649,288
	<u>\$ 49,818,988</u>
Cash dividends paid — \$2.50 per share . . . . .	4,092,845
Balance, March 28, 1959 . . . . .	<u>\$ 45,726,143</u>

## NOTES TO FINANCIAL STATEMENTS

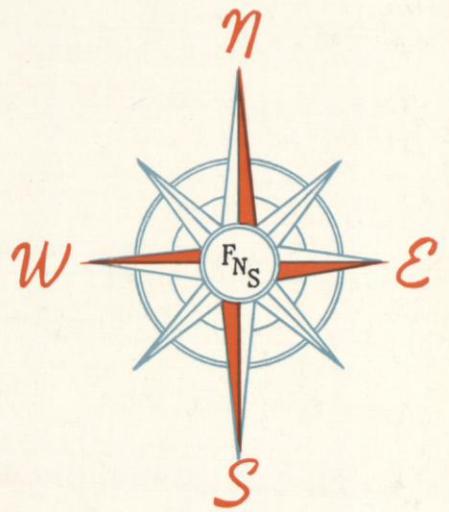
NOTE 1: In addition to depreciation provided on the straight-line method for depreciable fixed assets acquired prior to March 28, 1954 and on the sum of the years-digits method for assets acquired thereafter, as permitted and used for federal income tax purposes, the company has continued to provide and charge earnings with additional accelerated depreciation on store buildings, computed on a basis which is related to estimated fair rental values. Such additional accelerated depreciation amounted to \$623,577 in 1959 and \$638,998 in 1958 and is not currently deductible for federal income tax purposes.

NOTE 2: At March 28, 1959 the company was obligated under 202 leases expiring more than three years after that date. The aggregate of the minimum annual rentals under these leases was approximately \$3,610,000 as of that date. The aggregate amount of rentals charged to earnings for the 1959 fiscal year with respect to all rented property was approximately \$4,330,000.



At Windsor Locks, Conn., First National's fine new supermarket is strategically located opposite the entrance to huge Bradley Field, the military installation. Spacious and modern, it is notably accessible to the entire vicinity.

## GEOGRAPHICAL DISTRIBUTION OF 543 FIRST NATIONAL STORES



**TRANSFER AGENTS:** THE FIRST NATIONAL BANK OF BOSTON, BOSTON  
CHEMICAL CORN EXCHANGE BANK, NEW YORK

**REGISTRARS:** SECOND BANK-STATE STREET TRUST CO., BOSTON  
BANKERS TRUST CO., NEW YORK, NEW YORK

